

**Pennsylvania General Assembly
Education and Finance Committees
Joint public hearing regarding the EITC and OSTC Programs
Room 205 ROB
April 5, 2016
9:00 AM**

*Testimony submitted by Aaron Troodler
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Chairman Saylor, Democratic Chair Roebuck, Chairman O'Neill, Democratic Chair Wheatley, Members of the House Education Committee, and Members of the House Finance Committee:

My name is Aaron Troodler and I am the Pennsylvania Regional Director for the OU Advocacy Center, which is the non-partisan public policy arm of the nation's largest Orthodox Jewish organization, representing nearly 1,000 congregations nationwide. Our primary area of concentration is education affordability and school choice, and we advocate for Jewish day schools throughout the Commonwealth.

Pennsylvania has long been a pioneer in the school choice realm, establishing and maintaining tax-credit programs that enable tens of thousands of low- and middle-income families to place their children in the most appropriate educational settings.

Not only does the greater Jewish community benefit immensely from these remarkable programs, but children and families throughout the Commonwealth from all walks of life benefit greatly from the Educational Improvement Tax Credit (EITC) and the Opportunity Scholarship Tax Credit (OSTC) programs, which provide millions of dollars annually in scholarships for low- and middle-income families across Pennsylvania.

The establishment of the EITC in 2001 and the OSTC in 2012 enabled companies to support school choice opportunities for Pennsylvania children. To date, these programs have yielded approximately \$900 million, providing scholarships for more than 50,000 students annually. For many schools, including Jewish day schools, this funding is indispensable.

Unfortunately, the Pennsylvania budget impasse threw these crucial programs into a dangerous limbo.

I want to thank you for inviting me to participate in this important legislative hearing and giving me the opportunity to engage in a dialogue with you about the EITC and OSTC programs. Specifically, I commend you for initiating a forum whereby we could examine what happened at the end of 2015 with the EITC and OSTC, assess the impact that it had, and discuss moving forward and ensuring that something like that does not happen again.

The drama that unfolded relative to the EITC and OSTC during the waning weeks of 2015 was extremely unnerving.

As you well know, Governor Wolf maintained that the Department of Community and Economic Development (DCED) was unable to release the EITC and OSTC approval letters in the absence of a state budget. As time went on and the approval letters continued to be withheld, our schools and the many families who benefit from the tax credit programs grew quite concerned. People began to grasp the fact that time was running out before the end of the calendar year and that if the approval letters were not released in short order, there was a distinct possibility that Jewish day schools and schools throughout Pennsylvania could lose an entire year of vital EITC and OSTC funding.

To be clear, the loss of this significant funding stream for Jewish day schools would be catastrophic and severely impact our schools' fiscal stability. Our schools would suffer, our children would suffer, and the generous businesses that participate in this critical program would suffer.

The prospect of losing these valuable education dollars presented us with a major crisis. The situation for schools and families was extremely dire, as we knew that if this issue was not resolved immediately, our children would suffer unimaginable and irreparable harm.

On the afternoon of Thursday, December 24, 2015, just one week prior to the end of the tax year, the governor suddenly authorized DCED to begin sending out the approval letters. Because of the holiday, people did not receive them until Saturday, December 26, and Monday December 28. Even then, the letters explicitly stated that the approvals for the tax credit program were contingent on the enactment of a state budget, which had not yet occurred. The conditional language contained in the letters left donors befuddled.

On Tuesday, December 29, the governor signed into law the majority of the budget bill that had been passed by the House and Senate and approved over \$23 billion in spending; however, he exercised his line-item veto power to strike the balance of the \$30 billion budget.

Because there was technically no full spending plan in place, there was a lack of clarity as to what the governor's actions meant relative to the conditional EITC approvals. People who contacted DCED and inquired as to the status of their approval letters were told that the approvals were still conditional.

Finally, later that day, DCED posted a notice on its website that the conditions had been removed and it was now deemed an outright approval.

The delay in releasing the approval letters until the last possible moment meant that scholarship organizations and educational improvement organizations had just two days to track down their donors and collect checks before the end of the year. It was a race against the clock as people worked nonstop during those two days to try and salvage every EITC and OSTC dollar that they possibly could by December 31.

We are grateful that the governor ultimately took the necessary steps to free up the \$150 million in scholarship funding from Pennsylvania's unique tax-credit programs, which give pre-K-to-12th-grade students the ability to attend the schools best suited to their needs and beliefs. If not for the last-minute approval, an entire year of funding would have been lost. Without the funding, some parents would have been forced to disrupt their children's education by pulling them from their schools and moving them into others less suitable to them.

That being said, the last-minute release of tax credits for schools wrought unnecessary drama for Pennsylvania families. There was absolutely no reason to withhold the EITC and OSTC award letters.

The fact is that the tax credit programs should not have been intertwined with the budget process. The EITC and OSTC are separate and distinct programs that are rooted in the law, not the appropriations process. We do not believe that there was any legal impediment to DCED releasing the letters approving the tax credits, despite the budget stalemate.

The education tax credit programs are a lifeline for families across the state, and we cannot afford to allow governmental disagreements to jeopardize these critical revenue streams. Moving forward, we need to find ways to insulate the EITC and OSTC programs from political discord that may exist relating to the budget.

One way to achieve this is to enact legislation that would allow EITC and OSTC tax credits to be used retroactively for applications submitted in the prior calendar year. That would go a long way toward avoiding last-minute havoc due to budgetary and other governmental wrangling.

To that end, we applaud the General Assembly for putting forth proposals that would permit checks dated January 1, 2016 and beyond to apply towards a donor's 2015 tax year, and allow those who continue to participate in the EITC and OSTC program for the state's next fiscal year, starting July 1, 2016, to make two contributions in calendar year 2016, one to apply to 2015 and one to apply to 2016. We are certainly grateful for the legislature's effort to salvage the 2015 EITC and OSTC funds, which are so vital for our schools, our families and our children.

In addition, we support HB1876, which addresses the timing issues that we experienced this year due to the budget impasse and the delay in releasing the approval letters. The objective is to prevent that type of situation from ever happening again by imposing statutory deadlines for the issuance of the award letters.

For the 2015-16 budget, this bill would allow credits that were approved during the last week of December to be used retroactively for the 2015 tax year.

For fiscal year 2016-17, and each fiscal year thereafter, the bill would require DCED to give written notice of its approval to each business firm that submitted a completed application by August 15, or 30 days following receipt of the completed application, whichever is later.

In addition, this legislation reaffirms the legislature's intent that as permanent statutory tax credit programs, no annual appropriation or re-authorization is necessary for the EITC and OSTC to

continue to operate, even during a budget impasse.

The reality is that every Pennsylvania child, regardless of whether they attend a public or non-public school, deserves a quality education.

We are extraordinarily grateful for the array of programs and services that our state representatives have instituted over the years in recognition of the importance of Pennsylvania's non-public schools, and which facilitate the quality education that they provide to so many children throughout the Commonwealth.

It is heartening to see the strong bipartisan support that the education tax credit programs enjoy in the General Assembly and to know that there are staunch advocates for the EITC and OSTC in both houses of the legislature.

It is important to recognize and understand that these programs do not benefit any single community. Rather, they improve educational possibilities for children from a variety of backgrounds throughout Pennsylvania.

As such, it is incumbent upon all of us to work collaboratively not only to protect but also to enhance educational opportunities for every child in Pennsylvania. The EITC and OSTC programs are a crucial means to get a quality education. Each of us has a duty to ensure that our children's future remains bigger than any budget battle.

An investment in our children is an investment in our future, and by continuing to invest in public- and non-public schools alike, you are investing wisely.

Thank you again for giving me the opportunity to participate in this important hearing and for your ongoing commitment to our schools, our families, and our children.